

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY MANILA
INFO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS
XMT AMEMBASSY MANILA
AMEMBASSY TEHRAN

UNCLAS STATE 166138

E.O. 11652: N/A

TAGS: BEXP, ETRD, EINV

SUBJECT: JOINT STUDY PROGRAM WITH APCAC

REF: STATE 112598

1. SUMMARY: DURING VISIT TO WASHINGTON IN EARLY MAY,
APCAC LEADERSHIP REITERATED A STRONG INTEREST IN COOPERA-
TING WITH EMBASSIES TO DEVELOP INFORMATION USEFUL TO THE
U.S. FOR PURPOSES OF ADVANCING U.S. EXPORT AND INVESTMENT
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INTERESTS. EMBASSY MANILA IS REQUESTED TO WORK WITH LEW
BURRIDGE TO LAUNCH FIRST PROJECT OF JOINT STUDY PROGRAM.
END SUMMARY.

2. STATE AND COMMERCE OFFICERS TOOK ADVANTAGE OF APCAC
LEADERSHIP VISIT TO WASHINGTON TO EXPLORE FURTHER THE
IDEA OF JOINT APCAC -- EMBASSY STUDY PROGRAM, FIRST RAISED

IN ECONOMIC OFFICERS MEETING WITH APCAC IN SINGAPORE. INTENT OF PROGRAM IS TO PROVIDE COORDINATION AND INCENTIVE FOR AMERICAN BUSINESSMEN TO CONTRIBUTE THE ASSISTANCE THEY HAVE OFFERED IN A TIMELY AND FOCUSED MANNER. APCAC LEADERSHIP ADVISED US THAT BEST WAY TO HARNESS ENERGIES OF BUSINESSMEN FOR TASKS OUTSIDE THEIR NORMAL LINES OF WORK IS TO EXPLAIN FULLY WHAT INFORMATION USG NEEDS AND FOR WHAT PURPOSE, AND TO AGREE UPON SPECIFIC PROJECTS AND TIMETABLES. ACCORDINGLY, WE PLAN TO KEEP APCAC INFORMED ON DEVELOPMENTS IN U.S. POLICY AND ACTIVITIES IN TRADE AND INVESTMENT AND TO SUGGEST JOINT STUDY PROJECTS THAT CAN BE DRAWN UPON BY U.S. POLICY MAKERS AND BUSINESS LEADERS.

3. APCAC LEADERS GAVE US THEIR REACTIONS TO A NUMBER OF POSSIBLE PROJECTS. THE WAY TO PROCEED, THEY SUGGESTED, IS FOR STATE AND COMMERCE TO SELECT A TOPIC FROM AMONG THOSE APCAC LEADERS CONSIDERED MOST WORTHWHILE AND TO WORK OUT WITH APCAC HEADQUARTERS MANILA THE WORDING OF THE REQUEST THAT WILL GO TO AMCHAMS IN THE REGION. EACH POST COULD THEN FORWARD REQUEST TO LOCAL AMCHAM AS APPROPRIATE AND DISCUSS MODALITIES, AND AT SAME TIME LEW BURRIDGE COULD SEND BACK UP TELEX TO AMCHAMS.

4. WE FIND THIS ADVICE SOUND AND PROPOSE, AS THE INITIAL JOINT PROJECT, TOPIC DESCRIBED IN PARA. 5, WHICH EMBASSY MANILA SHOULD DISCUSS WITH BURRIDGE, SEEKING ANY REVISION
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HE WOULD SUGGEST. PLEASE SEEK HIS ADVICE ALSO ON TIME FRAME THAT SHOULD BE PROPOSED TO AMCHAMS FOR FIRST DRAFT OF REPORT.

5. THE COMPETITIVE SITUATION FACED BY US EXPORTERS IN EAST ASIA

TASK: TO ASSESS AND RANK THE SIGNIFICANT CHANGES DURING THE PAST YEAR IN THE COMPETITIVE SITUATION FACED BY U.S. EXPORTERS IN EAST ASIA.

DISCUSSION: EXCHANGE RATE ADJUSTMENTS DURING THE PAST YEAR APPEAR LARGE ENOUGH TO MAKE SIZEABLE IMPACT ON THE RELATIVE COMPETITIVE POSITION OF MAJOR EXPORTERS. THE EFFECT IS NOT AUTOMATIC, HOWEVER, BUT DEPENDS ON WHETHER COSTS OR SAVINGS ARE IN FACT PASSED ON TO IMPORTERS, WHAT NEW MEASURES TO DEFEND MARKETS ARE TAKEN BY EXPORTERS WHOSE

CURRENCIES ARE APPRECIATING, HOW AGGRESSIVELY EXPORTERS MOVE WHOSE CURRENCIES ARE DECLINING IN VALUE, ETC. THERE ARE, IN ADDITION, FACTORS AT PLAY NOT DIRECTLY RELATED TO EXCHANGE RATES, SUCH AS NEW ENTRANTS TO THE MARKET-

PLACE (KOREA, TAIWAN) OR THE EFFECT OF SECTION 911 ON OVERSEAS STAFFING OF U.S. SUBSIDIARIES. THE TASK, THEN, IS (1) TO IDENTIFY THE FACTORS THAT HAVE SIGNIFICANTLY AFFECTED US COMPETITIVENESS IN THE LOCAL MARKET DURING THE PAST YEAR, (2) TO ASSESS BRIEFLY AND RANK THE CURRENT RELATIVE IMPORTANCE OF EACH FACTOR, AND (3) TO STATE THE MAIN IMPLI"ATIONS FOR USG OR U.S. EXPORTER ACTION.

FACTORS THAT MIGHT BE CONSIDERED:

A. PRICE ADJUSTMENTS ARISING FROM CURRENCY RATE CHANGES;

B. CHANGES IN MARKETING TECHNIQUES BY FOREIGN COMPETITORS, SUCH AS DISCOUNTING, MORE AGGRESSIVE AND CONCESSIONAL
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FINANCING, ARRANGEMENTS FOR SERVICING, ETC.;

C. EXPORT PROMOTIONAL ACTIVITIES BY COMPETITOR GOVERNMENTS;

D. NEW ENTRANTS TO THE MARKETPLACE;

E. SOURCING PRACTICES OF HOST COUNTRY IMPORTERS;

F. HOST GOVERNMENT POLICIES OR GUIDANCE TENDING TO DIFFERENTIATE AMONG FOREIGN SUPPLIERS;

G. AMONG US FIRMS, ADEQUACY OF HOME OFFICE SUPPORT AND INTEREST IN EXPANDING EXPORTS, INCLUDING FINANCIAL SUPPORT;

H. REPLACEMENT OF U.S. NATIONALS BY HOST COUNTRY OR THIRD COUNTRY NATIONALS IN U.S. SUBSIDIARIES;

I. OTHER FACTORS SIGNIFICANT IN THE LOCAL MARKET.

6. THIS TOPIC WAS SELECTED AMONG SEVERAL POSSIBILITIES TO HELP DEFINE THE TASK WHICH GOVERNMENT-SPONSORED EXPORT PROMOTION PROGRAMS MUST CONFRONT. EXCHANGE RATE ADJUSTMENTS ARE THE TRADITIONAL MECHANISM FOR CORRECTING IMBALANCES IN INTERNATIONAL PAYMENTS, AND RELATIVELY LARGE ADJUSTMENTS HAVE OCCURRED IN THE VALUE OF MAJOR CURRENCIES DURING THE PAST YEAR. THE NEED FOR SUPPLEMENTAL EXPORT PROMOTION MEASURES DEPENDS ON WHETHER EXCHANGE RATE ADJUSTMENTS ALONE ARE EXPECTED TO BE ADEQUATE TO RESTORE REASONABLE BALANCE. FOR EXAMPLE, SOME EVIDENCE INDICATES THAT MORE AGGRESSIVE GOVERNMENT-SUPPORTED EXPORT CREDIT OFFERS BY US COMPETITORS HAVE BECOME AN IMPORTANT OFFSET TO THE EFFECTIVENESS OF DOLLAR DEPRECIATION. TREASURY IS
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SPONSORING A STUDY BASED ON HISTORICAL DATA TO FORECAST THE EFFECT OF EXCHANGE RATE ADJUSTMENTS ON THE U.S. BOP. WE BELIEVE IT WOULD BE ILLUMINATING TO SUPPLEMENT ECONOMETRIC MODEL FORECASTS WITH INFORMED MICROECONOMIC DATA DESCRIBING WHAT IS ACTUALLY OCCURRING IN THE MARKET-PLACE, REGARDING BOTH PRICES AND OTHER MEANS OF HOLDING OR CAPTURING MARKETS.

7. WE WOULD EXPECT A NUMBER OF AMCHAMS TO FIND THIS PROJECT STIMULATING AND PERHAPS DIRECTLY USEFUL. IN HIS MAY 1 TESTIMONY ON DITI BEFORE THE SENATE GOVERNMENTAL AFFAIRS COMMITTEE, LEW BURRIDGE SAID QTE AMERICAN

BUSINESSMEN IN ASIA ARE BUFFETED BY OVERWHELMING COMPETITION. END QTE. THIS WILL PROVIDE AN OPPORTUNITY TO AMPLIFY ON THE FACTS AS APCAC PERCEIVES THEM. IT WOULD NOT BE NECESSARY FOR ALL MEMBER AMCHAMS IN THE REGION TO BE INVOLVED IN THIS OR ANY GIVEN PROJECT, ALTHOUGH MOST STUDIES WILL TAKE ON GREATER SIGNIFICANCE THE BROADER THE COUNTRY COVERAGE. THE JOINT STUDY PROGRAM IS CONCEIVED AS A MEANS FOR AMERICAN BUSINESSMEN TO ASSIST THE USG IN CARRYING OUT PROGRAMS BENEFICIAL TO BUSINESS, AND ITS SUCCESS SHOULD DEPEND ON THE ENTHUSIASM OF PARTICIPATING AMCHAMS. PARTICIPATION IN ANY GIVEN PROJECT WILL BE MATTER FOR EMBASSY/AMCHAM JUDGEMENT.

8. THE GENERAL DIVISION OF LABOR WHICH WE BROACHED TO BURRIDGE IS THAT USG AND APCAC WOULD JOINTLY DEFINE STUDY PROJECTS. AMCHAMS WOULD TAKE LEAD IN GATHERING DATA AND MEMBER COMPANY VIEWS AND PUTTING TOGETHER INITIAL DRAFT OF RESULTS AT COUNTRY LEVEL. EMBASSIES WOULD LEND FACILITATIVE ASSISTANCE, ENCOURAGEMENT, AND POSSIBLY SOME STAFF TIME FOR RESEARCH DEPENDING ON THE TOPIC AND OTHER DEMANDS, AND THEY WOULD ASSIST IN POLISHING COUNTRY REPORTS. MELDING OF THESE REPORTS INTO A REGIONAL LEVEL PAPER, UNCLASSIFIED

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SUBMISSION TO APCAC FOR REVIEW, TYPING IN FINAL AND DISTRIBUTING WOULD BE UNDERTAKEN IN WASHINGTON. RECOMMENDATIONS FOR ACTION MAY BEAR ON GOVERNMENT OR PRIVATE INDUSTRY, DEPENDING ON TOPIC. WE ALSO RAISED WITH BURRIDGE THE POSSIBILITY OF AMCHAMS PROVIDING FINANCIAL RESOURCES TO HIRE PROFESSIONAL RESEARCH SERVICES WHEN CHAMBER MEMBERS CANNOT SPARE MANPOWER FOR

DESIRED PROJECTS. THIS IS A MATTER INDIVIDUAL CHAMBERS
WILL HAVE TO DECIDE. WE HOPE EMBASSIES WILL BE ABLE TO
NUDGE CHAMBERS IN THAT DIRECTION WHEN PROJECTS MERIT IT.

9. FOR TEHRAN: ALTHOUGH SUBJECT PROGRAM ORIGINATED IN
EA CONTEXT, EMBASSY AND AMCHAM, AN APCAC MEMBER, MAY WISH
TO BE INVOLVED. PLEASE ADVISE. REFTEL IS BEING REPEATED
TO YOU.

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